

THE BOTTOM LINE

We are here for your benefit.

Missouri State Employees' Retirement System
A Component Unit of the State of Missouri
Summary Annual Financial Report
Fiscal Year Ended June 30, 2014



MISSION

MOSERS exists to advance the financial security of its members.

VISION

We endeavor to:

Exceed customer expectations

Educate stakeholders

Ensure sound investment practices

Encourage responsible funding of the plan through a commitment to

Excellence Always.

VALUES

Quality

Respect

Integrity

Openness

Accountability

This *Summary Annual Financial Report* is derived from the information contained in MOSERS' *Comprehensive Annual Financial Report* (CAFR) but does not include all funds administered by MOSERS or certain other information required for conformity with Generally Accepted Accounting Principles (GAAP). MOSERS' financial statements are produced in conformity with GAAP. Contact MOSERS to request a copy of the CAFR, or explore it on our website at www.mosers.org. To request an alternative format, please contact MOSERS at (573) 632-6100 or (800) 827-1063. MOSERS is an equal opportunity employer.

Letter from the Executive Director

The numerical indications of success within MOSERS' *Summary Annual Financial Report* are the outgrowth of a simple management philosophy based on Peter Drucker's assertion that "what gets measured gets managed and what gets managed gets done."

What is not reflected in the numbers, however, is the caring "can do" attitude of a dedicated staff focused on the cost effective delivery of services to the tens of thousands of present and former state employees who count on us for key components of their personal financial security.

At MOSERS, we strive to inspire confidence of our membership and believe it is critical to our success. The self-imposed high bar is continually being raised as it should be. At the end of the day, we can confidently say that all efforts contribute to the bottom line and that, "We are here for your benefit."



A handwritten signature in dark ink, reading "Gary Findlay".

Gary Findlay
Executive Director

**We proudly serve over
111,000 System members.**



Letter from the Board Chair



Missouri State Employees' Retirement System
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Website: www.mosers.org | Email: mosers@mosers.org
Visit us at 907 Wildwood Drive, Jefferson City, MO

October 17, 2014

Dear Members:

On behalf of the board of trustees, I am pleased to present the MOSERS *Summary Annual Financial Report* for the fiscal year ended June 30, 2014. While the focus of this report is on information related to the financial status of your retirement system, it also highlights other changes that occurred during the year.

MOSERS' investments generated a return of 19.2% for FY14, exceeding the total fund policy benchmark by 1.5%. This return, net of all fees and investment expenses, added approximately \$117 million in value to the fund during the year relative to the results of the policy return.

Your retirement system continues to achieve high marks in the delivery of customer service to our members. One of the ways operational performance is measured is through the Cost Effectiveness Measurement, Inc. (CEM) pension administration benchmarking analysis. CEM evaluated 56 leading pension systems, including systems in the United States, Canada, Scandinavia, United Arab Emirates, and the Netherlands. MOSERS' peer group included 11 U.S. public pension plans that are identified as our most relevant peer group based on membership size and system assets. This year, the CEM results indicated that MOSERS' service ranked number one again in our peer group and was ranked the second highest in CEM's global universe of 56 plans. Our cost of \$76 per active member and annuitant was equal to the peer median and well below the peer average of \$125 per member.

I am also pleased to report that the Investment Intelligence Network, an affiliate of *Institutional Investor*, presented the Executive Director of MOSERS with a lifetime achievement award. The presentation announcement, dated April 24, 2014, read, in part, "In the 20 years since Gary Findlay became director, MOSERS' assets have compounded at an annualized rate of 9% net of fees, outperforming the fund's benchmark by 1.2% annually. When compared to other public funds across the country, this performance places MOSERS among the very best." Information regarding this prestigious award can be accessed on MOSERS' website.

During the past year, the board's membership changed with the departure of Senator John Lamping and the addition of Senator Wayne Wallingford. On behalf of the board and staff, I would like to thank Senator Lamping for his hard work and contributions while serving as a trustee to the system. Trustees devote many hours in fulfilling their fiduciary duties and serve with no remuneration.

I wish to thank the entire board for their contributions this year as well as the staff for maintaining the high level of expertise and professionalism required in the pursuit of excellence in all of the activities in which we are involved. Lastly, I wish to express my gratitude to you, our members, for continuing in public service. Your dedication and commitment to providing services to Missouri citizens is greatly appreciated.

In closing, the board of trustees and staff look forward to serving your future needs. If you have any questions regarding this report or any other aspect of MOSERS, please contact us at MOSERS, P.O. Box 209, Jefferson City, Missouri 65102 or call (800) 827-1063. Our website can also be visited at www.mosers.org.

Sincerely,

A handwritten signature in dark ink that reads "Antwaun Smith". The signature is fluid and cursive, with the first name "Antwaun" being more prominent than the last name "Smith".

Antwaun Smith, Chair
Board of Trustees

Financial Statements

Summary Comparative Financial Statements

The following schedules present *Summary Comparative Financial Statements* of the pension trust funds for FY14 and FY13.

Pension Trust Funds

Summary Comparative Statements of Fiduciary Net Position*

	As of June 30, 2014	As of June 30, 2013	Amount of Change	Percentage Change
Cash and short-term investments	\$ 2,781,208,806	\$1,202,548,184	\$1,578,660,622	131.28%
Receivables	92,320,761	46,416,125	45,904,636	98.90
Investments	9,208,420,646	6,922,334,141	2,286,086,505	33.02
Invested securities lending collateral	36,196,014	461,766,766	(425,570,752)	(92.16)
Capital assets	3,754,756	3,554,938	199,818	5.62
Other assets	47,564	105,201	(57,637)	(54.79)
Total assets	12,121,948,547	8,636,725,355	3,485,223,192	40.35
Administrative expense payables	1,443,657	2,337,560	(893,903)	(38.24)
Investment purchase payables	456,411,500	11,485,382	444,926,118	3,873.85
Investment income payable	0	49,527,001	(49,527,001)	(100.00)
Securities lending collateral	37,195,140	454,384,699	(417,189,559)	(91.81)
Other liabilities	14,780,144	11,934,319	2,845,825	23.85
Obligations under repo agreements	2,339,232,799	0	2,339,232,799	100.00
MOSERS investment portfolio liability (MIP)	3,457,824	2,015,286	1,442,538	71.58
Total liabilities	2,852,521,064	531,684,247	2,320,836,817	436.51
Net positions restricted for pensions	\$ 9,269,427,483	\$8,105,041,108	\$1,164,386,375	14.37

The *Summary Comparative Statements of Fiduciary Net Position* are summaries of what MOSERS owns and owes as of the end of the fiscal year.

The primary uses of MOSERS' assets include the payment of promised benefits to members and their beneficiaries, the refund of contributions to terminated employees, and the cost of administering the system.

Pension Trust Funds

Summary Comparative Statements of Changes in Fiduciary Net Position*

	Year Ended June 30, 2014	Year Ended June 30, 2013	Amount of Change	Percentage Change
Contributions	\$ 375,116,980	\$ 318,818,502	\$ 56,298,478	17.66%
Investment income - investing activities	1,505,566,826	787,712,220	717,854,606	91.13
Investment income - securities lending activities	530,974	1,020,380	(489,406)	(47.96)
Miscellaneous income	456,942	495,936	(38,994)	(7.86)
Total additions	1,881,671,722	1,108,047,038	773,624,684	69.82
Benefits	706,504,036	674,511,179	31,992,857	4.74
Service transfers and refunds	3,338,696	2,534,006	804,690	31.76
Administrative expenses	7,442,615	7,680,311	(237,696)	(3.09)
Total deductions	717,285,347	684,725,496	32,559,851	4.76
Net increase	1,164,386,375	423,321,542	741,064,833	175.06
Net position beginning of year	8,105,041,108	7,681,719,566	423,321,542	5.51
Net positions restricted for pensions	\$9,269,427,483	\$8,105,041,108	\$1,164,386,375	14.37

The *Summary Comparative Statements of Changes in Fiduciary Net Position* shows financial activity occurring during the fiscal year and summarize the flow of money in and out of the fund during the year.

* Due to recent changes in accounting rules, what was called "Net Assets" in previous years is now called "Net Position."



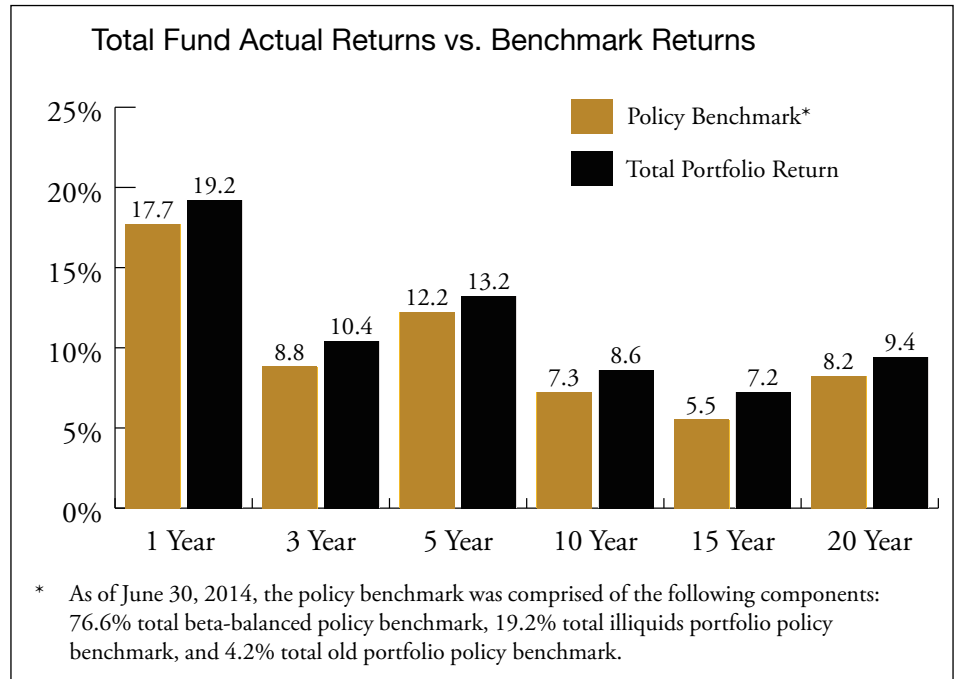
Investments generated \$117 million over the benchmark this year.

Investment Return

As of June 30, 2014, the MOSERS investment fund had total assets of \$9.3 billion. The investment portfolio generated approximately \$1.5 billion in net earnings during the year representing a one-year investment return of 19.2%.

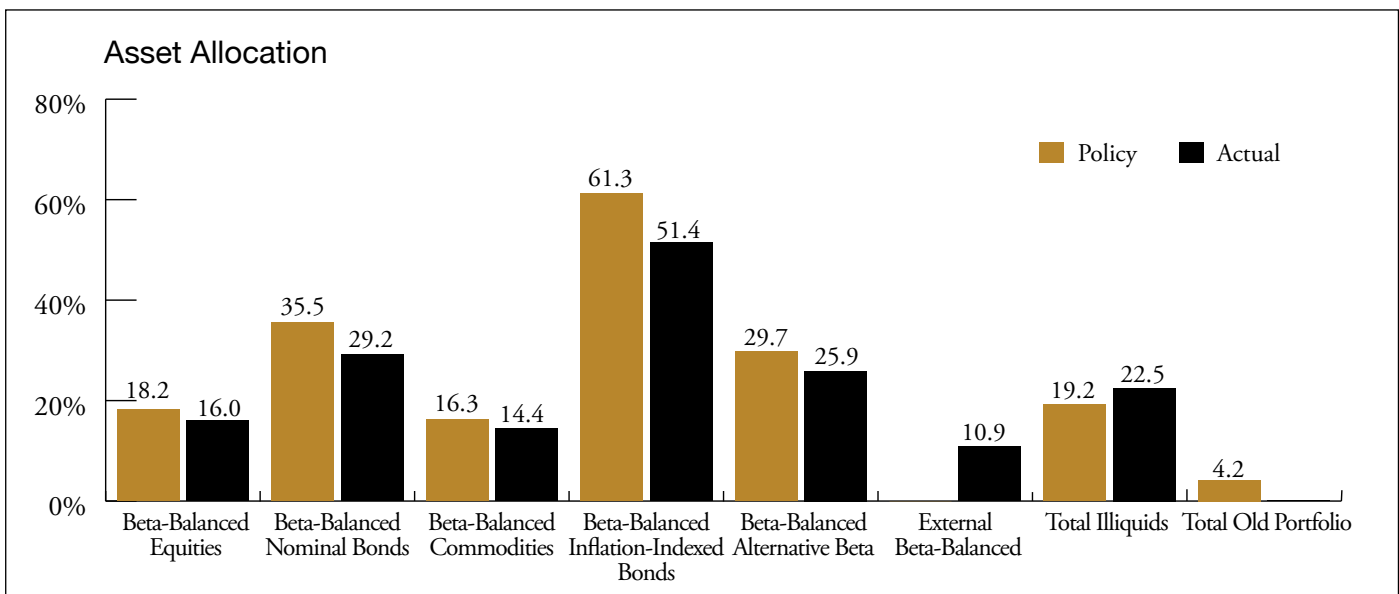
Comparison of the total investment fund return to a policy benchmark

is one means of evaluating MOSERS' actual investment performance compared to the financial markets. The total fund 1-year performance exceeded the policy benchmark by 1.5%, with the actual 3-, 5-, 10-, 15-, and 20-year returns also exceeding the policy benchmark as reflected in the *Total Fund Actual Returns vs. Benchmark Returns* chart above.



Investment Risk

Market volatility is what investors traditionally consider to be the risk of investing. To protect against this risk, the MOSERS investment portfolio is diversified across a myriad of asset classes and investment strategies to mitigate the potential impact of negative economic circumstances. The *Asset Allocation* chart below reflects the actual percentage of the total investment portfolio by specific asset class at June 30, 2014. This asset allocation is built on the belief that diversification is critical in achieving consistent, high, long-term, risk-adjusted investment returns.



Actuarial Summary

Retirement Funding

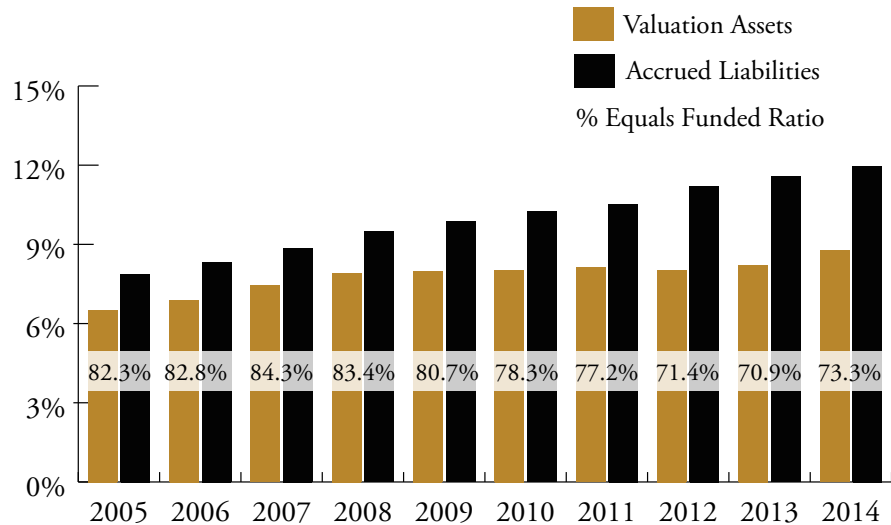
Your retirement benefits are funded by contributions from the state of Missouri and by investment income (and by your contributions, if you are a member of the MSEP 2011 or the Judicial Plan 2011). In order to ensure your benefits are available to you, MOSERS is constantly evaluating the assets (gold bar) relative to the value of the liabilities (black bar). The percentages shown in the bar chart indicate the extent to which the system was funded as of a given year.

The state must contribute the annually required contribution that, when combined with present assets and future investment returns, will be sufficient to meet the present and future financial obligations of the retirement system.

Through a history of reasonable benefit levels, mandatory participation, actuarially determined employer contributions, and professionally managed investments, MOSERS continues to be financially sound.

The average annual MSEP benefit is \$15,091.

Valuation Assets as a Percent of Pension Liabilities
All Plans Combined



Summary of Member Data

June 30, 2014	MSEP*	Judicial Plan
Active Members		
Average age	45.7	57.1
Average years of service	11.3	12.7
Average annual salary	\$37,588	\$122,439
Retired Members**		
Average age	69.5	75.8
Average annual benefit	\$15,091	\$58,414
Total Membership		
Active	50,621	405
Terminated-vested	18,933	24
Retired	41,000	511

* Includes members in both the MSEP and the MSEP 2000.

** Includes disability, and survivor benefits.

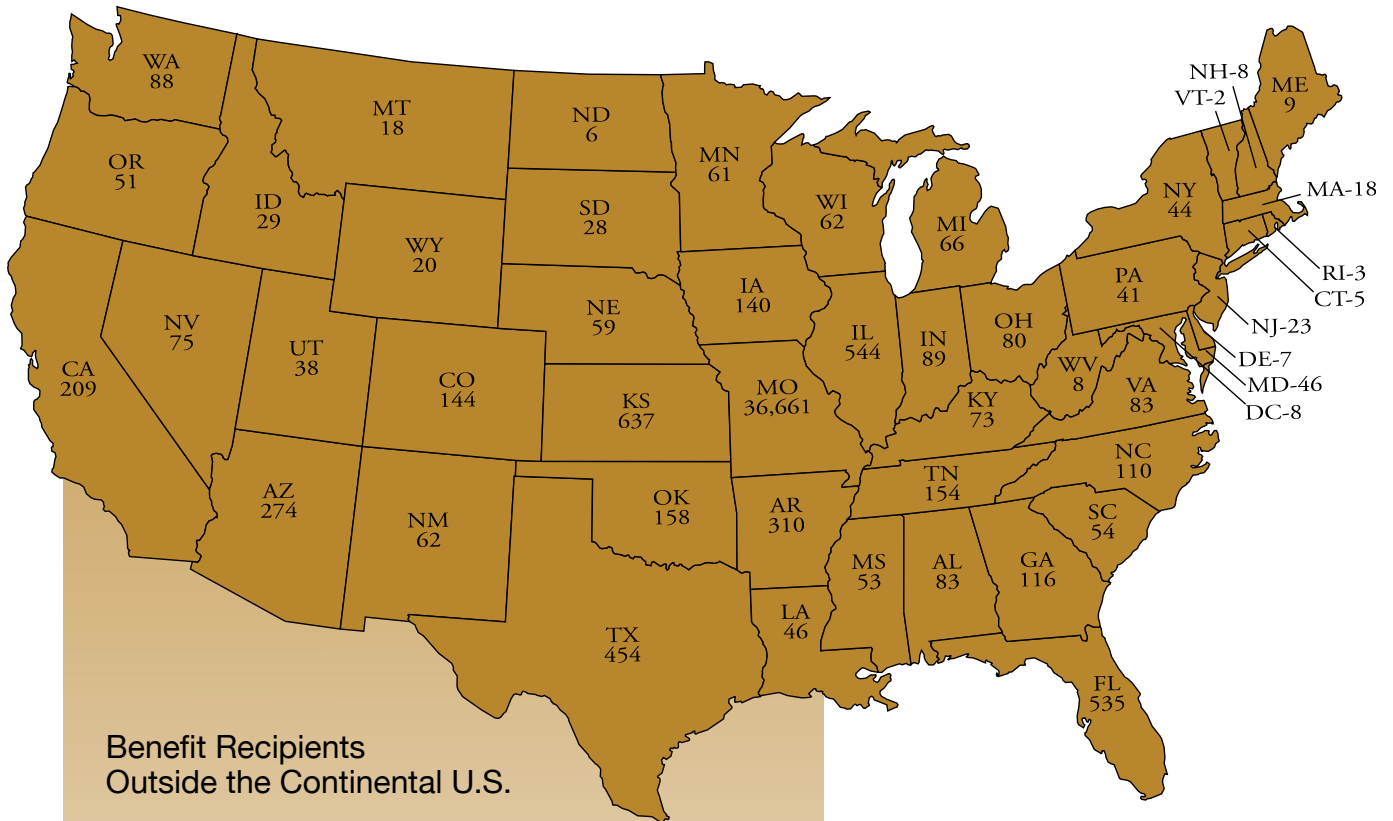
Members Retired During Fiscal Year Ended June 30, 2014

Years Credited Service by Category	Average Monthly Benefit	Average Final Average Salary	Number of Retirees
<5	\$280	\$4,426	5
5-10	308	2,675	636
11-15	520	2,614	507
16-20	809	3,029	370
21-25	1,199	3,229	436
26-30	1,691	3,650	392
31+	2,207	3,999	199
All Members*	937	3,066	2,545

* Includes members in both the MSEP and the MSEP 2000.



Benefit Recipients by Location



Benefit Recipients Outside the Continental U.S.

Alaska - 13	Mexico - 3
Hawaii - 8	Marshall Islands - 1
Army Post Office - 4	Nigeria - 1
Argentina - 1	P. R. China - 1
Australia - 2	Panama - 1
Canada - 11	Philippines - 1
Colombia, South America - 1	Puerto Rico - 1
Costa Rica - 1	Sri Lanka - 1
Equador - 1	Sweden - 1
Germany - 1	Thailand - 1
Guam - 1	The Netherlands - 1
India - 3	United Arab Emirates - 2
Ireland - 2	United Kingdom - 3
Israel - 3	Virgin Islands - 2
Italy - 2	

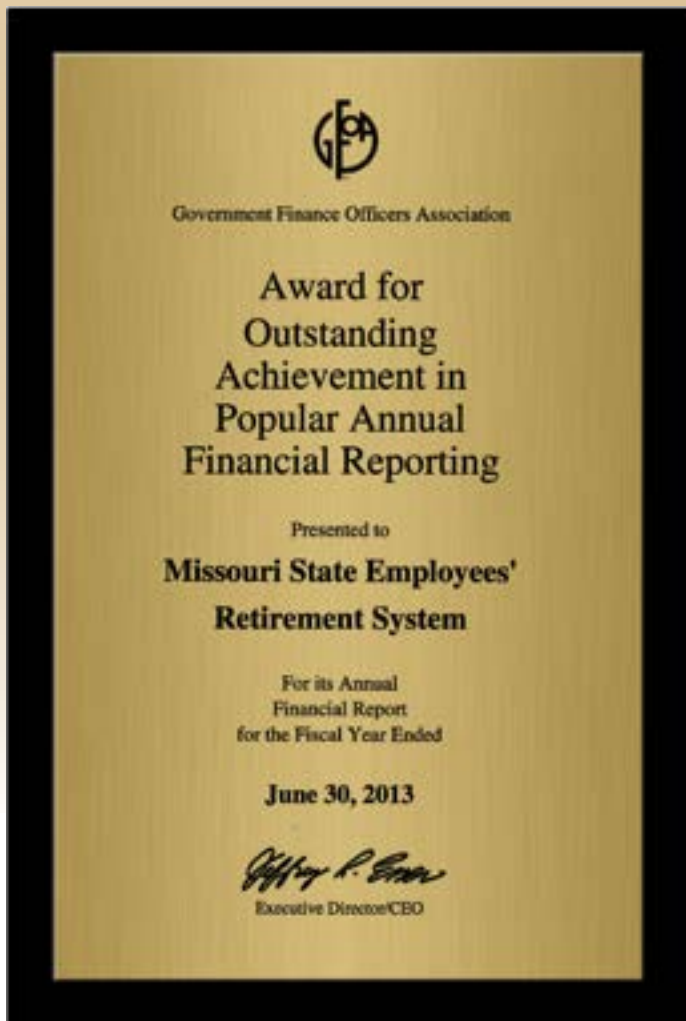
**Nearly 90% (36,661)
of retirees & beneficiaries
live in Missouri.**

Pension benefits serve as a stimulus for our state economy. The annual pension benefits paid to MOSERS' retirees provide a steady, continuous, and significant stimulus to Missouri's state and local economies. Nearly 90% of state retirees remain in Missouri after retirement. More than \$700 million annually flows from the system into households of more than 36,000 retirees and beneficiaries who buy goods and services in this state.



**The retirement fund paid
over \$700 million in benefits.**

Professional Award



The Government Finance Officers Association of the United States and Canada (GFOA) presented an Award for Outstanding Achievement in Popular Annual Financial Reporting to MOSERS for its summary annual report for the fiscal year ended June 30, 2013.

This prestigious national award recognizes popular reports for creativity, presentation, understandability, and reader appeal and is valid for a period of one year. We believe the current summary annual report continues to meet these program standards and we are submitting it to the GFOA for evaluation.

MOSERS' annual cost per active member and annuitant is \$76.



Contact Information

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